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TARIFF CONTROL NO. 51103

**ANNUAL STANDARD TRUE-UP
COMPLIANCE FILING FOR AEP
TEXAS INC. CONCERNING RIDER
SRC AND RIDER ADFIT**

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PUBLIC UTILITY COMMISSION

OF TEXAS

COMMISSION STAFF'S RECOMMENDATION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Recommendation in response to Order No. 1. In support thereof, Staff shows the following:

I. BACKGROUND

On July 23, 2020, AEP Texas Inc. (AEP Texas) filed an annual standard true-up compliance filing concerning Rider SRC and Rider ADFIT in accordance with the Financing Order in Docket No. 49308.¹ On July 31, 2020, the administrative law judge (ALJ) issued Order No. 1, requiring Staff to file a recommendation on the compliance filing or to propose a procedural schedule, if necessary, by August 10, 2020. Therefore, this pleading is timely filed.

II. RECOMMENDATION

Staff has reviewed AEP Texas's compliance filing and, as supported by the attached memorandum of Jorge Ordonez, Rate Regulation Division, recommends that the rates in Rider SRC and Rider ADFIT have been correctly calculated and reflect the necessary adjustments to ensure adequate funds for the payment of Hurricane Harvey system restoration bonds as well as the benefits to ratepayers of the ADFIT associated with the system restoration costs. Staff recommends that the proposed 6.1.1.4.7.1 – *Rider SRC – System Restoration Charge Factors* (First Revision) and 6.1.1.4.8 *Rider ADFIT – ADFIT Credit* (First Revision) be approved as filed with an effective date of bills rendered on or after August 27, 2020. Staff further recommends that AEP Texas be required to file “clean” copies of Rider SRC and Rider ADFIT to be stamped “Approved” by the Commission's Central Records Division and retained for future reference.

¹ *Application of AEP Texas Inc. for a Financing Order*, Docket No. 49308, Financing Order (Jun. 17, 2019).

III. CONCLUSION

For the reasons discussed above, Staff respectfully recommends that AEP Texas's application be approved.

Dated: August 10, 2020

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on August 10, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Taylor P. Denison
Taylor P. Denison

Public Utility Commission of Texas

Memorandum

TO: Taylor Denison, Legal Division

FROM: Jorge Ordonez, Tariff & Rate Analysis, Rate Regulation Division

RE: **Tariff Control No. 51103 - Annual Standard True-Up Compliance Filing for AEP Texas Inc. Concerning Rider SRC and Rider ADFIT**

DATE: August 10, 2020

Procedural Background

On July 23, 2020, AEP Texas Inc. (AEP Texas) filed its annual standard true-up compliance filing (True-Up Compliance Filing) concerning two riders in accordance to the financing order in Docket No. 49308 (Financing Order).¹ These riders are: 1) rider system restoration charge (Rider SRC); and 2) rider accumulated deferred federal income taxes (Rider ADFIT).

Discussion

The Financing Order authorized AEP Texas to securitize the distribution-related system restoration costs incurred by AEP Texas due to Hurricane Harvey and other weather-related events in AEP Texas Central Division's service territory (AEP TCC). In AEP Texas's last rate case, Docket No. 49494,² the Commission approved the consolidation of AEP TCC and AEP Texas North Division (AEP TNC), with a few exceptions. Rider SRC and Rider ADFIT are two of those exceptions and continue to apply only to customers in the certified area previously served by AEP TCC.

In accordance with the Financing Order, AEP Texas Restoration Funding LLC (Bond Company) securitized the securitizable balance and other qualified costs on September 18, 2019 by issuing Senior Secured Restoration Bonds (System Restoration Bonds) and AEP Texas began billing Rider SRC September 18, 2019. AEP Texas is the Servicer for the Bond Company with respect to the System Restoration Bonds and in that role it bills, collects, receives and adjusts the restoration charges imposed pursuant to AEP Texas Tariff for Retail Delivery Service, Section 6.1.1.4.7.1 – *Rider SRC – System Restoration Charge Factors* and remits the amounts received to the trustee to repay the System Restoration Bonds.

In its True-Up Compliance Filing, AEP Texas also proposed revisions to the ADFIT credit rider, which provides ratepayers the benefit of the ADFIT associated with the system restoration charges

¹ *Application of AEP Texas Inc. for a Financing Order*, Docket No. 49308, Financing Order (June 17, 2019).

² *Application of AEP Texas Inc. for Authority to Change Rates*, Docket No. 49494, Order (Apr. 3, 2020).

over the same period AEP Texas collects the system restoration charges from ratepayers. AEP Texas implemented *6.1.1.4.8 Rider ADFIT – ADFIT Credit* on September 18, 2019.

Recommendation

I have reviewed AEP Texas's filing and determined that the rates in *6.1.1.4.7.1 – Rider SRC – System Restoration Charge Factors* (First Revision) and *6.1.1.4.8 Rider ADFIT – ADFIT Credit* (First Revision) were correctly calculated and reflect the necessary adjustments to ensure adequate funds for the payment of Hurricane Harvey system restoration bonds as well as the benefits to ratepayers of the ADFIT associated with the system restoration costs.

I therefore recommend that the proposed *6.1.1.4.7.1 – Rider SRC – System Restoration Charge Factors* (First Revision) and *6.1.1.4.8 Rider ADFIT – ADFIT Credit* (First Revision), as shown in Attachment 3 and Attachment 6 respectively of the True-Up Compliance Filing, be approved as filed with an effective date of bills rendered on or after August 27, 2020. I further recommend that AEP Texas be required to file "clean" copies of *6.1.1.4.7.1 – Rider SRC – System Restoration Charge Factors* (First Revision) and *6.1.1.4.8 Rider ADFIT – ADFIT Credit* (First Revision), to be stamped "Approved" by the Commission's Central Records Division and retained for future reference.